Methodology

Survey conducted by
Pitney Bowes with Caravan International

Sept 6-11, 2019
8031 online shoppers 18+ years old

Countries surveyed:
• Australia – 1005 respondents
• Canada – 1004 respondents
• China – 1004 respondents
• Mexico – 1005 respondents
• UK – 1004 respondents
• US – 3009 respondents
Macro Trends
The overall ecommerce market is growing

While online retailers see more competitive pressure from marketplaces

US consumers are purchasing more frequently online...

- Daily: 5%
- Weekly: 23%
- Monthly: 49%
- Annually: 16%
- Never: 6%

...but a faster-growing majority of those purchases are on Amazon & other marketplaces

- Online retailers: 33%
- Online marketplaces: 67%

Pitney Bowes Online Shopping Study 2019
Consumers are shopping online more often
But they’re getting disappointed even more frequently

Consumers experiencing delivery/returns issues the prior holiday season

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of disappointed consumers has doubled in last 4 years</td>
<td>31%</td>
<td>36%</td>
<td>56%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Top reasons:

- Delayed delivery: 29%
- Shipping cost too high: 24%
- Inaccurate tracking: 14%
- Lost/inaccurate delivery: 14%
- Other: 31%

Consumers experiencing delivery/returns issues the prior holiday season

Pitney Bowes Online Shopping Study 2019
One bad delivery experience has ripple effects

One-third of consumers will never shop with that brand again

- 86% will take some type of action
- 54% will shop less often or never shop with that retailer again
- 51% will contact customer care to complain
- 19% of Millennials will complain on social media
Why are younger consumers shopping online less often?

7-8% moved from daily/weekly to monthly/annual purchasing

While older generations increased purchase frequency

Pitney Bowes Online Shopping Study 2019
Subscription services are changing buying behaviors
Consumers 18-34 years old are leading the way

- 45% of 18-34 year olds are currently enrolled in a subscription service (vs 25% of all shoppers)
- 13% of 18-34 year olds plan to enroll in a subscription service in the next 12 months
- 68% of 18-34 year old subscription customers say they now shop less with other retailers who sell similar products
- 84% of 18-34 year old shoppers believe subscription companies are better than Amazon in at least one aspect of delivery and returns

Pitney Bowes Online Shopping Study 2019
Summary // Macro trends

1. Ecommerce continues to grow as consumers shop online more often

2. More online purchases end in disappointment—delivery issues plague consumer experience

3. Just one poor experience can have dire consequences for brands and retailers

4. Younger shoppers are changing buying behaviors, led partly by the growth of online subscription services
Delivery
Consumers still prefer free over fast shipping
If they had to choose

- 2017: 86% Free shipping, 14% Fast delivery at a cost
- 2018: 79% Free shipping, 21% Fast delivery at a cost
- 2019: 80% Free shipping, 20% Fast delivery at a cost

Pitney Bowes Online Shopping Study 2019
Free shipping is the #1 driver of repeat purchases

Among post-purchase experience options. It’s ~4x more popular than fast shipping.

- Free shipping: 45%
- Fast shipping: 12%
- On-time delivery: 9%
- High quality packaging: 8%
- Free returns: 7%
- Accurate delivery date: 5%
How fast is ‘acceptably’ fast shipping (when free)?

Most consumers think the tipping point is around 4-5 days.
Consumers are even willing to negotiate ‘fast’
Based on what they’re buying

<table>
<thead>
<tr>
<th></th>
<th>Will choose 4+ day delivery with discount/credit or delivery scheduling</th>
<th>Will choose 6+ day delivery for exact item they want (vs a ‘good enough’ item in ≤3 days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>When buying a gift</td>
<td>52%</td>
<td>56%</td>
</tr>
<tr>
<td>When buying a personal item (apparel, etc.)</td>
<td>48%</td>
<td>65%</td>
</tr>
<tr>
<td>When buying a commodity (household goods)</td>
<td>40%</td>
<td>61%</td>
</tr>
</tbody>
</table>
‘Slower’ shipping may be acceptable
But that doesn’t make waiting any easier—consumers want more tracking information

59% of all consumers and 67% of Millennials track their packages daily or multiple times per day.

51% have either enrolled or are interested in enrolling in a carrier tracking program (UPS My Choice™, FedEx Delivery Manager™, etc.) vs. relying solely on retailers for visibility.

Pitney Bowes Online Shopping Study 2019
Summary // Delivery

1. **Free shipping** beats fast shipping—almost every time—driving more loyalty

2. ‘Acceptably’ fast shipping can take as much as 5 **days**—if shipping is free

3. Consumers will **wait even longer** if the product is unique or with a good promo

4. Regardless of delivery speed—**tracking is critical**, and many retailers are leaving this up to carriers to solve
Consumers don’t think they return as much as they really do

Perception

10%
Proportion of their purchases consumers say they return

Reality

25%
Average return rate of ecommerce orders according to Forrester Research
“Bracketing” can now be called “buying”
A majority of consumers now purchase multiple sizes/colors of a product with the intent to return what doesn’t work

51%
of all consumers confess to bracketing

44%
of bracketers say they ‘always’ or ‘frequently’ do so

27%
of men say they ‘always’ or ‘frequently’ bracket, while only…

19%
of women say they ‘always’ or ‘frequently’ bracket

Pitney Bowes Online Shopping Study 2019
Shoppers love home pickup & labels in-the-box

Among consumers, home pickup of returns is…

66%

3x more popular than carrier drop-off…

22%

and nearly 4x more popular than return in-store…

18%

72% of consumers prefer when retailers include pre-printed return labels in the shipped package
‘Trunk time’ makes refunds appear slower
Shoppers hold onto returns for an additional 4 days when drop-off is required

+4 days
average trunk time

+5 days
among Millennials

+8 days
Shoppers who return >50% of their purchases

64%
of consumers liken slow refunds to getting a root canal

4.5x
speed of Amazon refunds versus the average online retailer

PB CXO Study, 2017
Summary // Returns

1. Consumers don’t realize how much they return—meaning it’s become part of the fabric of shopping experience

2. In fact, most consumers are now purchasing with full intent to return some items (aka bracketing)

3. Home pickup and labels-in-the-box are the most convenient returns options

4. Consumers hate slow refunds—and forcing a consumer to drop-off a return adds 4 days of “trunk time”
Cross-border ecommerce adoption is up globally
Except in Canada & the US, which are flat to down slightly YoY

- Australia: 87%
- Canada: 73%
- China: 81%
- Mexico: 86%
- UK: 71%
- US: 46%

Pitney Bowes Online Shopping Study 2019
Top reasons for cross-border cart abandonment
Shipping cost/speed are top concerns. Except in Canada, where incoterms annoy.

- With the government’s introduction of new cross-border taxes (GST), Australian consumers are reacting to higher duties & taxes being incorporated into shipping quotes.
- According to Pitney Bowes’ shipping data, nearly half of all Canadian cross-border orders are shipped to the Toronto metro area—much closer to import hubs and should therefore typically lower cost. Retailers are advised to verify true rates/cost for these shipments.
- Canadian consumers are savvy cross-border shoppers. Retailers should provide both DDP and DDU incoterms for these customers to maximize flexibility.
- Same-day and 1-hour free delivery is more mainstream in China than in other countries—made possible by local carriers owned by/partnered with major marketplaces.
9 out of 10 US cross-border shoppers buy from China sellers
Either via marketplaces or direct sale

86% of consumers who buy from China-based sellers are disappointed by the delivery experience

40% felt the delivery took longer than they expected

25% didn’t receive tracking information

24% received inaccurate tracking information

19% couldn’t find or navigate the tracking site
Shopper disappointment isn’t always driven by high expectations

US cross-border shoppers have reasonable (and even low) expectations on international transit times

<table>
<thead>
<tr>
<th>Country</th>
<th>≥3 weeks</th>
<th>1-2 weeks</th>
<th>&lt;1 week</th>
</tr>
</thead>
<tbody>
<tr>
<td>From China</td>
<td>48%</td>
<td>32%</td>
<td>20%</td>
</tr>
<tr>
<td>From UK</td>
<td>28%</td>
<td>44%</td>
<td>28%</td>
</tr>
<tr>
<td>From Australia</td>
<td>27%</td>
<td>40%</td>
<td>20%</td>
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Pitney Bowes Online Shopping Study 2019
Summary // Cross-border

1. Cross-border ecommerce continues to gradually grow, despite trade tensions

2. Shipping cost and slow delivery—as with domestic shopping—cause consumers to abandon online cross-border purchases most

3. 90% of US cross-border shoppers buy from China-based sellers—and nearly 90% of those shoppers are disappointed by the delivery experience

4. US cross-border shoppers have reasonable expectations on international transit times